Annual Report 2013-2014

SRC SASKATCHEWAN RESEARCH COUNCIL

July 2014
Letter of Transmittal

To the Honourable Vaughn Solomon Schofield,
Lieutenant Governor of Saskatchewan.

May it please your Honour:

The undersigned presents herewith, for your consideration,
the report of the Saskatchewan Research Council
for the year ended March 31, 2014.

Respectfully submitted,

Bill Boyd

Honourable Bill Boyd
Minister Responsible for SRC

Table of Contents

2020 VISION

Driven by our passion for a better world, we will break boundaries to become the most internationally recognized and valued science solutions company in North America by 2020.

MISSION

We proudly deliver smart science solutions, with unparalleled service to clients and colleagues, that grow and strengthen our economy.

We embrace our safe, creative, and diverse work environment which enables us to excel personally and professionally.

We live by our core values to build a better world.

VALUES

Integrity

Respect

Quality

One Team

STRATEGIC GOALS TO 2020

Economic Impact

Best Employer

Best Research & Technology Organization

Financial Management

Corporate Social Responsibility

"

SRC's new structure positions this mature organization for an exciting future. It focuses on existing strengths and enhances provincial sectors for continued growth.

Message from the Acting Board Chair

The innovation landscape in Saskatchewan changes frequently. There are new entrepreneurial businesses starting up in our research parks. Many talented young people are graduating from our post-secondary institutions. There are also veterans, such as the 67-year-old Saskatchewan Research Council (SRC), who continue to provide strength and stability in an ever-changing global economy.

It has been a year of change at SRC and an exciting time to be part of an organization that continues to propel research and development and innovation forward. With change come challenges. Market uncertainty led to a strategic repositioning and refocusing at SRC. This resulted in a number of changes that affected every one of SRC's divisions. Monitoring markets and the external environment, as well as making changes to the company, is part of ongoing business considerations and is part of a healthy business cycle. The changes SRC made were part of managing the organization responsibly and positioning for future success as we journey towards Vision 2020.

We are focusing our efforts on the mining and minerals and energy sectors, and the environmental considerations that are important across both.

There have been many significant accomplishments this past year in each division. Some are regional in scope, while others are national and some have international impacts as well. The work being done within SRC is innovative, inspiring and illustrates the spirit that abounds in this special organization.

The internationally-recognized Mining and Minerals Division was in the spotlight again when they opened the new Mineral Processing Pilot Plant in Saskatoon. The new facility will help industry to decrease costs while increasing yields. Additionally, it is one of the few centres in Canada to accept and specialize in rare earth minerals — yet another way SRC helps grow the Saskatchewan economy. Well before its first anniversary, the team is already working with clients from across Canada and internationally.

A bluegrass music festival isn't where you would expect to see science on display, but that's exactly the out-of-the-box thinking that happens at SRC. Researchers from the Process Development team powered a recording studio at a local festival in northern Saskatchewan using a gasifier. One of only a handful of units in Saskatchewan and unusual due to its small size and portability, the gasifier transformed chipped wood debris into electricity — music to everyone's ears and environmentally-friendly too.

Weather is often a "hot" topic on coffee row in Saskatchewan and Saskatonians, in particular, have endured several long, snow-covered winters. Climate data is an important piece of information for many Saskatchewan sectors. In spring 2013, SRC celebrated the Saskatoon Climate Reference Station's 50th Anniversary. The station is a valuable tool for researching and evaluating long-term climate trends.

The Employee Volunteer Program was created in 2013-14 as a way for SRC employees to contribute to and have a positive impact on the communities where we work and live. Employees were given one working day to contribute to centrally-led corporate social responsibility initiatives. The impacts were impressive. More than 1,600 hours were contributed by 274 employees. SRC volunteers gathered 675 kilograms of garbage and recycling from Saskatchewan shorelines, contributed more than 1,600 kilograms in food and clothing to Saskatchewan Food Banks and more than three-quarters of employees agreed that the events made them want to do more in the community outside of SRC activities.

In closing, SRC's new structure positions this mature organization for an exciting future. It focuses on existing strengths and enhances provincial sectors for continued growth.

Dr. Peta Bonham-Smith
Acting Board Chair

Message from the President and CEO

This is our 67th Annual Report. In our most recent decade, we at the Saskatchewan Research Council (SRC) have been focused on achieving the greatest possible impacts on economic growth in Saskatchewan. To this end, we have become increasingly entrepreneurial; even somewhat nimble. We have also substantially diversified our work along the innovation continuum, from applied research and development, to design, testing and analysis, pilot testing, scale-up engineering, and field/plant demonstration, and all the way through to commercial adoption. This positions us as an innovation-enabler taking new technology **From the Lab to the Loading Dock**, as we say in our internet blog (http://blog.src.sk.ca/).

SRC comprises over 360 employees bringing enthusiasm, patience, creativity and professionalism to our mission. By staying focused on practical, real-world solutions to industry's technical problems and opportunities and, by helping industry to grow, the economic impacts from our work continue to accumulate. This evolution has enabled SRC to grow and settle-in at the ">$50 million-per-year" revenue level. Our large and diverse range of clients and partners, our breadth, depth and complexity of projects, and the real-world solutions we deliver at the pace of business have all contributed to a substantial increase in SRC's visibility and profile at the national and international levels, and this in turn is creating new opportunities for us as we forge the next steps in SRC's evolution under our strategy to 2020.

Safety is our overriding priority and we continue to strive for leading-edge safety performance by adopting industry "best practices," continuous improvement, and a steady, methodical process supported by a sustained corporate focus at all levels of the organization. Our lost-time-injury (LTI) rate has for the past decade been trending downwards, and is being maintained at <1% as we strive to make it zero as often as is humanly possible. We are continuing to develop our comprehensive OH&S management system, target our high probability causes of injury incidents, and nurture an active and strong safety culture.

We also continued to advance employee **engagement** and **diversity**. These are becoming features of strategic strength for SRC as we continue to find that the more we respect, value, and increase the engagement and diversity of our employees the more we build an environment that fosters creativity, invention and innovation – and that is enabling us to achieve our strategic goals and core values.

Our regional, national and international markets all remained uncertain and volatile, and we had to make the decisions to divest some lines of business, and to reduce and/or redirect other efforts. This caused job losses and financial losses. Although painful for everyone, these steps enabled us to end the year better aligned with the realities of the marketplace, and therefore better positioned to advance under our strategy. We continue to serve a diverse group of about 1,800 clients per year. In particular, we work for Canada's leading mining and mineral companies, Canada's leading oil and gas companies, and a large proportion of our work is aimed at addressing issues of environmental safety and environmental sustainability in these two sectors. By establishing great working relationships with some of the biggest and best natural resource developing companies in the world we are helping attract their interest and their work into Saskatchewan. This year we launched a multi-purpose **Mineral Processing Pilot Plant**, which is flexible enough to handle a multitude of mineral types and processing options, from rare earth mineral processing to radioactive uranium-containing ores. We also continue to develop a volatile-fluids pipeline loop expansion at our Pipe Flow Technology Centre™. Beyond the mineral and petroleum sectors, we continue to work with small, medium and large enterprises and communities on niche technology application opportunities.

With regard to preserving and improving the **environment**, we continue to work closely with our clients and partners on industrial emissions and releases of all kinds. From testing and analyses, to monitoring and modelling, to the development and demonstration of new technological solutions, we continue to help industry move beyond environmental compliance and into best practices. We have also continued to work on environmental legacy issues as we advance the cleanup of 37 abandoned uranium mines in northern Saskatchewan.

As a Crown Corporation providing applied research, development, demonstration and technology commercialization services in the public interest, we are highly focused on producing not just outcomes like **Smart Science Solutions™**, but positive impacts: economic, environmental and social impacts in Saskatchewan. Our economic impact assessment process shows that we again achieved exceptional impacts this past year with over $413 million in direct economic benefit to the province plus over $121 million worth of jobs created or maintained, for an overall impact total of over $534 million. This means that for every public dollar invested in SRC, we generated a 21-times return in economic impacts. Our benchmarking shows that this is an unparalleled record in Canada. We also continue to strive to enhance these strong economic impacts by providing **Responsible Science Solutions™** to help ensure a safe, secure and sustainable environment. Last year, we undertook more than $17 million in projects aimed at creating positive socio-environmental impacts. Our work contributed to more than a million tonnes of greenhouse gas emission reductions and energy savings of over 40 million kWh/year. This is the eleventh year for which we have been assessing our impact contributions to Saskatchewan, and the cumulative total now comprises $5.8 billion in direct incremental economic activity.

In terms of **Corporate Social Responsibility** (CSR), essentially everything we do is aimed in one way or another at benefitting people and communities. Nevertheless, we continue to increase our distinctly CSR activities in which we try to "go the extra distance" from a community perspective, such as with our Shoreline Cleanup and Food Bank initiatives. We also continued to increase our visibility and our transparency through public reporting mechanisms, including the Global Reporting Initiative.

As we continue to move forward towards our 2020 **Vision**, we are receiving increased visibility, profile and recognition across Canada and the United States, and to some degree overseas. An increasing number of our business lines are becoming internationally recognized as the best in the world. SRC was recognized as one of North America's premium, and most valued, Research and Technology Organizations (RTOs) in the first-ever Canadian RTO survey – another sign that we are finding the right path.

Dr. Laurier Schramm
President and CEO

Board of Directors

Dr. Peta Bonham-Smith
Acting Board Chair

Ronn Lepage
Acting Vice-Chair

Dr. Laurier Schramm
Secretary

Pat Cook

John Cross

Dr. Dennis Fitzpatrick

Dr. Patrick Jamieson

Shelley Lipon

Jamie McIntyre

Dr. Charles Randell

Nathan Rhodes

Executive Team

As of June 1st, 2014

Dr. Laurier Schramm
President and CEO

Toby Arnold
Vice-President,
Organizational Effectiveness

Michael Crabtree
Vice-President,
Energy

Joe Muldoon
Vice-President,
Environment

Craig Murray
Vice-President,
Mining and Minerals

Wanda Nyirfa
Vice-President,
Business Ventures

Phillip Stephan
Vice-President,
Strategic Initiatives

Key Performance Indicators 2013-2014 Final Results

01 Economic Impact - Grow our economy in a socially and environmentally responsible manner, through the responsible application of science and technology.

Goal / Objective	2013 - 2014 KPI Target	2013 - 2014 Actual Results
Achieve enhanced economic impact targets, expanding the horizon to include rest-of-Canada and rest-of-world impacts, while developing and testing methodologies for assessing the extent to which such impacts are achieved in socially and environmentally responsible manners.	1.1 Achieve economic impacts of $600 million, comprising impacts in Saskatchewan of at least $500 million (measure the actual breakdown by Saskatchewan, rest-of-Canada (RoC) and rest-of-world (RoW).	$415M
	1.2 Ensure at least 70% of SRC's projects are also focused on, or at least contain, a substantial component of achieving positive socio-environmental impacts (again measuring the actual breakdown by Saskatchewan, RoC and RoW).	46%

02 Best Employer - Become a "best" employer with highly engaged employees.

Goal / Objective	2013 - 2014 KPI Target	2013 - 2014 Actual Results
Achieve a high level of employee engagement.	2.1 Achieve a minimum of 55% engagement in the Hewitt Best Employers survey.	59%

03 Best Research and Technology Organization - Become North America's premium "Go-To" and "One-Stop-Shop" science solutions company, with a strong international brand.

Goal / Objective	2013 - 2014 KPI Target	2013 - 2014 Actual Results
Achieve enhanced client satisfaction, improved employee satisfaction with SRC's positioning, and increased brand awareness.	3.1 Achieve a minimum of 98% satisfaction levels on the most important client satisfaction survey measures.	98%
	3.2 Achieve a 50% satisfaction level defined as "agree" or "completely agree" on the extent to which Canadian clients and other Canadian Research and Technology Organizations (RTOs): • Recognize SRC as one of North America's premium RTOs, and • Recognize SRC as one of North America's most valued RTOs.	Premium RTO: 63% Most valued RTO: 42%
	3.3 Continue to develop and test methodologies for boosting and measuring brand awareness and reputation among potential clients, partners, and peers (including Saskatchewan, rest-of-Canada and rest-of-world).	Implemented

04 Financial Management - Provide a positive financial return, utilize Provincial Investment (PI) appropriately and invest in our future.

Goal / Objective	2013 - 2014 KPI Target	2013 - 2014 Actual Results
Achieve an increase in overall average margin, and invest appropriately in people, programs and infrastructure.	4.1 Achieve an average margin of >10% on R&T Division operations and a positive overall net income.	R&T Margin: 10.6% SRC Net Income: ($3,091k)
	4.2 Grow SRC's non-Project CLEANS external revenue base by > $1 million.	($1,042k)
	4.3 Invest > $6 million in training and development, capability-enhancing programs and capital investments.	$4,373k

05 Corporate Social Responsibility - Conduct business in a socially and environmentally responsible manner.

Goal / Objective	2013 - 2014 KPI Target	2013 - 2014 Actual Results
Become more visibly active in demonstrating Corporate Social Responsibility (CSR).	5.1 Achieve Level B in the Global Reporting Initiative check and investigate the feasibility of achieving Level A within the next three to five years.	Achieved
	5.2 Contribute employee time and conduct a significant, proactive CSR initiative in the communities within which we live and work.	1,356 hours (Shoreline Cleanup and Food Bank)

Corporate Governance

Authority

The Saskatchewan Research Council (SRC) is a Saskatchewan Treasury Board Crown Corporation governed by The Research Council Act. Within this framework, the Board of Directors (Board) formulates policy and delegates the responsibility and authority for the ongoing management of the corporation to the President and CEO.

Board Responsibilities

The Board ensures that the activities of the corporation are carried out under the terms of The Research Council Act. The Board oversees the stewardship of the corporation and has responsibility for strategic planning, risk oversight and monitoring of financial and business performance. The Board ensures that management has systems in place to identify and manage the principal risks of the corporation's business.

Board Composition and Compensation

The SRC Board is comprised of 12 members with a diverse combination of knowledge and expertise. The members represent a cross-section of SRC's stakeholder community.

Eleven directors, including the Chair, are independent of SRC management. The one related director is the President and CEO of the corporation.

Board members (except for members who are government employees) receive a retainer and an honorarium for meetings attended. The level of compensation is established by Treasury Board. Members are allowed travel and associated expenses at SRC-approved rates.

The Board and Management

The Board focuses on the strategic leadership of the corporation and does not become involved in day-to-day management, but delegates and entrusts operational decisions to management, holding management accountable for the corporation's performance, long-term viability and the achievement of its objectives.

Committees

The Board has established the following committees to address specific areas of Board responsibility:

Audit and Finance Committee

The Audit and Finance Committee is responsible for monitoring, advising and making recommendations to the Board regarding all aspects of financial planning and the financial management of the corporation. The Audit and Finance Committee acts as the communication link between the Board and the Provincial Auditor.

Governance and Nominating Committee

The Governance and Nominating Committee is responsible for monitoring, advising and making recommendations to the Board regarding the governance strategy of the corporation, assessing and evaluating Board and CEO performance, administering the Board-CEO relationship and assessing and monitoring the risk framework.

Financials

Report of Management
Year Ended March 31, 2014

The accompanying financial statements are the responsibility of the management of the Saskatchewan Research Council (the Council). They have been prepared in accordance with International Financial Reporting Standards, using management's best estimates and judgments, where appropriate.

Management is responsible for the reliability and integrity of the financial statements, the notes to the financial statements, and other financial information contained in this report. Management is also responsible for maintaining a system of internal controls, policies and procedures designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board is assisted in exercising its responsibilities through the Audit and Finance Committee, which is composed of five non-management directors and one management director. The Committee meets periodically with management to satisfy itself that management's responsibilities are properly discharged, to review the financial statements and to recommend approval of the financial statements to the Board.

The Provincial Auditor of Saskatchewan has audited the Council's financial statements in accordance with Canadian generally accepted auditing standards and her report follows.

Laurie Schramm

Laurier Schramm
President and CEO

Ryan Hill

Ryan Hill, CA
Associate Vice-President, Finance

PROVINCIAL AUDITOR
of Saskatchewan

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Saskatchewan Research Council, which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statement of comprehensive income, consolidated statement of changes in province's equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Saskatchewan Research Council as at March 31, 2014, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Judy Ferguson

Regina, Saskatchewan
June 3, 2014

Judy Ferguson, FCA
Acting Provincial Auditor

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Statement 1

SASKATCHEWAN RESEARCH COUNCIL

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31

(Thousands of dollars)

	March 31, 2014	March 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,208	$ 6,356
Accounts receivable (Note 11)	7,032	6,944
Prepaid expenses	1,022	1,131
	11,262	14,431
Non-current assets:		
Accrued pension benefit asset (Note 4)	47	-
Restricted investment (Note 5)	804	697
Trust investment (Note 9)	3,508	2,080
Property, plant and equipment (Note 6)	28,381	32,780
	$ 44,002	$ 49,988
LIABILITIES AND PROVINCE'S EQUITY		
Current liabilities:		
Accounts payable	$ 2,784	$ 4,375
Unearned revenue	2,790	3,618
Deferred revenue (Note 8)	992	1,018
Salaries, wages and vacation payable	2,535	2,218
	9,101	11,229
Non-current liabilities:		
Accrued pension benefit liability (Note 4)	-	17
Sick leave benefits payable	136	177
Decommissioning provision (Note 9)	6,417	6,593
Deferred revenue (Note 8)	4,976	5,680
	20,630	23,696
Province's equity (Statement 3):		
Contributed surplus	922	922
Retained earnings - unappropriated	21,646	24,673
Retained earnings - appropriated	804	697
	23,372	26,292
	$ 44,002	$ 49,988

Statement 2

SASKATCHEWAN RESEARCH COUNCIL

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended March 31

(Thousands of dollars)

		2014		2013
Revenue:				
Contracts	$	39,287	$	47,856
Transfer from General Revenue Fund		19,743		18,983
		59,030		66,839
Expenses:				
Salaries and benefits		31,562		30,682
Contract services		10,536		16,293
Accommodation charges		8,823		7,943
Supplies		5,329		5,680
Depreciation of property, plant and equipment		4,617		4,192
Travel, training and education		1,464		1,593
		62,331		66,383
Net (loss) income from operations		(3,301)		456
Other income:				
Interest revenue		210		247
Change in restricted investment (Note 5)		107		46
Defined benefit pension plan valuation adjustment		-		32
		317		325
Net (loss) income		(2,984)		781
Other comprehensive income:				
Defined benefit pension plan actuarial gain (Note 4)		64		18
Total comprehensive (deficit) income	$	(2,920)	$	799

SASKATCHEWAN RESEARCH COUNCIL

CONSOLIDATED STATEMENT OF CHANGES IN PROVINCE'S EQUITY

For the year ended March 31

(Thousands of dollars)

	Unappropriated Retained Earnings	Appropriated Retained Earnings	Contributed Surplus	Total
Equity				
Balance, March 31, 2012	$ 23,920	$ 651	$ 922	$ 25,493
Net income	781	-	-	781
Other comprehensive income	18	-	-	18
Change in appropriated amount during year	(46)	46	-	-
Balance, March 31, 2013	24,673	697	922	26,292
Net loss	(2,984)	-	-	(2,984)
Other comprehensive income	64	-	-	64
Change in appropriated amount during year (Note 5)	(107)	107	-	-
Balance, March 31, 2014	$ 21,646	$ 804	$ 922	$ 23,372

Statement 4

SASKATCHEWAN RESEARCH COUNCIL
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended March 31
(Thousands of dollars)

	2014	2013
Cash flows from operating activities:		
Cash receipts from contracts	$ 38,371	$ 42,481
Cash receipts from General Revenue Fund	19,743	18,983
Cash paid to suppliers and employees	(57,431)	(62,627)
Interest received	176	154
Cash flows from (used in) operating activities	859	(1,009)
Cash flows used in investing:		
Purchase of trust investment	(1,394)	-
Purchase of property, plant and equipment	(3,170)	(6,472)
Cash flows used in investing activities	(4,564)	(6,472)
Cash flows from financing:		
Capital grants	557	1,282
Cash flows from financing activities	557	1,282
Net decrease in cash and cash equivalents	(3,148)	(6,199)
Cash and cash equivalents, beginning of year	6,356	12,555
Cash and cash equivalents, end of year	$ 3,208	$ 6,356

Saskatchewan Research Council

Notes to the Consolidated Financial Statements

For the year ended March 31, 2014

1. Status of Saskatchewan Research Council

Saskatchewan Research Council (the Council) was established pursuant to Section 3 of *The Research Council Act* for the purpose of research and investigation in the fields of the physical sciences, pure and applied, as they affect the economy of the Province of Saskatchewan. The Council is a body corporate which receives monies appropriated by the Legislature for these purposes and is owned by the Province of Saskatchewan. It is empowered to conduct research and other services under contract for others and to receive financial assistance pursuant to agreements with other similar agencies. The Council has also been contracted by the Province to manage the remediation of northern abandoned mine sites. The Council's financial results are included in the summary financial statements of the Province of Saskatchewan. As a Treasury Board Crown corporation, the Council is not subject to federal income tax or goods and services tax.

The Council's head office is located at 125 – 15 Innovation Boulevard in Saskatoon, Saskatchewan.

2. Basis of Presentation

a) Statement of Compliance

The Council's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements were authorized and issued by the Board of Directors of the Council on June 3, 2014.

b) Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments which are measured at fair value.

c) Functional and Presentation Currency

These financial statements are presented in Canadian dollars, which is the Council's functional currency.

d) Estimates and Judgments

The preparation of financial statements in conformity with IFRS in Canada requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Key estimates within the financial statements include the allowance for accounts receivable, accrued pension benefit liability, property, plant and equipment depreciation and decommissioning provision.

2. Basis of Presentation *(continued)*

d) Estimates and Judgments (continued)

Areas of judgments in applying accounting policies that have the most effect on the amounts recognized in the consolidated financial statements include the determination of cash-generating units.

e) Future Changes in Accounting Policy

The Council has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are only effective for accounting periods beginning on or after January 1, 2014 or later periods. These include:

- IFRS 9, Financial Instruments – effective January 1, 2015
- IFRS 10, Consolidated Financial Statements – effective January 1, 2014
- IAS 32, Financial Assets and Financial Liabilities – effective January 1, 2014

The Council anticipates that the adoption of these standards and interpretations in future periods will have no material impact on the consolidated financial statements of the Council except for additional disclosures.

3. Summary of Accounting Policies

a) Consolidation Principles

The accounts of TecMark International Commercialization Inc., a wholly owned subsidiary of the Saskatchewan Research Council, are consolidated in these financial statements. TecMark International Commercialization Inc. (TecMark) was incorporated under *The Business Corporations Act* (Saskatchewan) on October 9, 1996, as a wholly owned subsidiary of the Council. TecMark holds certain patents and other non-tangible assets of the Council. The Council is currently in the process of winding up TecMark and transferring back ownership of these assets.

b) Financial Instruments

The Council does not have any derivative financial instruments.

<u>Non-derivative financial assets</u>:

The Council has the following non-derivative financial assets:

Financial assets at fair value through profit or loss (FVTPL)

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if the Council manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Council's documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at

3. Summary of Accounting Policies *(continued)*

a) Financial Instruments *(continued)*

fair value, and changes therein are recognized in profit or loss. The Council's financial assets consist of cash and cash equivalents, the restricted investment, and trust investment.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise accounts receivable from related and non-related parties.

Non-derivative financial liabilities:

The Council's non-derivative financial liabilities include:

Accounts payable, unearned revenue, salaries, wages and vacation payable and sick leave benefits payable.

Such financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Impairment of financial assets:

For certain categories of financial assets, such as accounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Saskatchewan Research Council

Notes to the Consolidated Financial Statements

For the year ended March 31, 2014

3. Summary of Accounting Policies (*continued)*

c) **Revenue Recognition**

Revenue from contract work is recognized on the percentage-of-completion method, which recognizes revenue as a contract progresses. Profit is recognized over the life of the contract, at the expected margin. Losses from cost overruns are recognized in the year they occur.

Unbilled revenues are accrued to the year-end for these contracts, while pre-billed revenues received are classified as unearned revenue.

Transfers from the General Revenue Fund are unrestricted in nature and recognized as they are received or receivable.

The Fermentation Facility Upgrade, Capital Enhancements, Wheat DNA Project, Microanalysis Centre and Pipe Flow Expansion grant revenues are recognized at the same rate as the related assets are put in use and depreciated.

Other contributions that are restricted for a specified use are deferred and are recognized as revenue when the related expenses are incurred.

Donations revenue is recognized upon receipt based on the value of the assets received.

d) **Cash and Cash Equivalents**

Cash and cash equivalents consist of balances with financial institutions and investments in redeemable guaranteed investment certificates (GICs) with a Canadian bank, which have a term to maturity of one year or less at time of purchase.

e) **Property, Plant and Equipment**

Property, plant and equipment (PP&E) is carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of PP&E consists of the purchase price and any costs directly attributable to bringing the asset to the location and the condition necessary for its intended use. Self-constructed assets are recorded at cost, including labour and materials.

Depreciation of PP&E is provided over the estimated useful lives of the assets on the following basis:

Straight-line method	
Automotive	5 years
Buildings	9 - 20 years
Computer Equipment	5 years
Equipment	5 - 10 years
Fermentation and GenServe Equipment	10 years
Leasehold Improvements	2 -12 years

3. Summary of Accounting Policies *(continued)*

e) Property, Plant and Equipment *(continued)*

An item of PP&E is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of an asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of PP&E consists of major components with different useful lives, the components are accounted for as separate items. Expenditures incurred to replace a component of an item of PP&E that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

f) Impairment

The carrying amounts of the Council's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amount is estimated.

The recoverable amount of a cash-generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. The Council assesses the CGU at the lowest level of revenue attributable to assets and has assessed the Council as a single CGU.

An impairment loss is recognized if the carrying amount of the Council's CGU exceeds its estimated recoverable amount. Impairment losses are recognized as a charge against net income.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a positive change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the CGU carrying amount does not exceed the carrying amount that would have been determined net of depreciation, if no impairment loss had been recognized.

g) Restricted Investment

The investment is comprised of deposits in units in a balanced mutual fund managed by a professional investment manager.

This investment has been classified as fair value through profit and loss (FVTPL) and is carried at fair value with unrealized gains or losses recognized in the

3. Summary of Accounting Policies *(continued)*

g) Restricted Investment *(continued)*

consolidated statement of comprehensive income. Units in the mutual fund are recorded in the accounts at their net asset value per unit. Net asset value per unit is the market value of the investments in the fund portfolio divided by the total number of outstanding units in that fund. The adjustment necessary to record units at their net asset value at year-end is shown as a change in restricted investment on the consolidated statement of comprehensive income.

h) Trust Investment

The trust investment is comprised of GICs held by a trust company. This investment has been classified as FVTPL and is carried at fair value with unrealized gains or losses recognized in the consolidated statement of comprehensive income.

i) Accrued Pension Benefit Liability

The Council maintains a pension plan for its employees. The Plan is registered with the Saskatchewan Superintendent of Pensions (Superintendent) and is required to comply with *The Pension Benefits Act, 1992* (Act). Until December 31, 1990, it was a defined benefit plan. Effective January 1, 1991, the Plan was changed to a defined contribution plan. The changes did not affect employees who retired before this date. They continue to receive benefits as granted.

Actuarial gains and losses are recognized in full in the period in which they occur, in other comprehensive income. The valuation adjustment includes the expected return on plan assets netted against the interest arising on the pension liability and is included in other income.

j) Decommissioning Provision

The fair value of legal obligations to retire long-lived assets is recorded as a decommissioning provision with a corresponding increase in the carrying amount of the related assets. The recorded decommissioning provision increases over time through interest expense charges to earnings. The capitalized assets are depreciated to income consistent with the depreciation of the related assets.

k) Capital Grants

Capital grants related to depreciable property are deferred as received and are recognized as revenue over the life of the asset. The Council recognizes a portion of the capital grants as revenue each year equivalent to the amount of depreciation recognized on the assets acquired with the grant funds.

4. Accrued Pension Benefit Asset (Liability)

Defined Contribution

The defined contribution pension plan assets had a market value of $21,551,000 (2012 - $20,577,000) at December 31, 2013. By design, the liabilities equal the assets of a defined contribution pension plan.

The defined contribution pension plan expense (employer contributions) for the year ended March 31, 2014 was $1,302,000 (2013 - $1,261,000).

The assets consist of units in multiple funds held by London Life Investment Management Ltd. These funds have no fixed interest rate, and returns are based on the performance of the funds. The fair value of the assets is considered to be the market value.

Defined Benefit

The Pension Benefits Act, 1992 (Act), requires the pension plan to obtain, every three years, an actuarial valuation that outlines its funding position and solvency position. The latest actuarial valuation of the defined benefit pension plan was performed as at December 31, 2013 by an independent actuary, Mercer. This valuation has been extrapolated to March 31, 2014 by Mercer. A discount rate of 3.50% (2013 - 3.20%) was used in the calculation of the extrapolation. The pension plan has been valued using management's best estimates.

The funding position outlines whether the pension plan has sufficient assets to pay the benefits agreed to under the plan. The solvency position outlines if the pension plan has sufficient assets to windup the plan at the valuation date. If the funding and solvency positions are deficits, the Act outlines how the deficits are to be paid. The actuarial valuation for funding and solvency purposes prepared by Mercer as at December 31, 2013 was filed with the Superintendent. The 2013 valuation disclosed a solvency surplus of $63,000 (2012 - $149,000 deficit) and a funding surplus of $104,000 (2012 - $9,000 deficit).

A 1% increase in the interest rate assumption would result in a $58,000 decrease to the pension liability. A 1% decrease in the interest rate assumption would result in a $63,000 increase to the pension liability.

4. Accrued Pension Benefit Asset (Liability) *(continued)*

The financial position of the defined benefit pension plan is as follows:

	March 31, 2014 (000's)	March 31, 2013 (000's)	March 31, 2012 (000's)
Defined benefit asset expected market value, April 1	$ 1,252	$ 1,351	$ 1,631
Expected return on plan assets	37	75	91
Benefits paid	(191)	(213)	(222)
Experience gain (loss)	184	39	(149)
Asset at market value, March 31	1,282	1,252	1,351
Defined benefit obligation at April 1	1,269	1,418	1,478
Interest on accrued benefits and benefit payments	37	43	53
Benefits paid	(191)	(213)	(222)
Experience losses	51	5	59
Pension increase	10	10	-
Assumption changes	59	6	50
Obligation, extrapolated to March 31	1,235	1,269	1,418
Accrued pension asset (liability), March 31	$ 47	$ (17)	$ (67)

Upon termination of the defined benefit portion of the pension plan, any balance remaining, after discharging all liabilities, shall belong to the Council. The balance may be distributed in a manner to be determined by the Council, at its sole discretion, after receiving prior approval in accordance with *The Pension Benefits Act, 1992*, the *Income Tax Act* (Canada) and the regulations thereunder.

The defined benefit pension plan recovery of $64,000 (2013 - $18,000) is the year-over-year change in the accrued benefit asset and obligation. Effective January 1, 2003, the Council is not being reimbursed for administrative costs incurred by the pension plan.

5. Restricted Investment

Restricted investment represents the Technology-in-Action Fund (Fund), which was established by the Council in 1994 when Mr. Ian Wahn made a gift to the Council, an agent of the Crown. The Fund was established to help the people of Saskatchewan develop their province as a highly skilled, fair, desirable and compassionate society with a secure environment through research, development and the transfer of innovative scientific and technological solutions, applications and services.

The Council received a binding ruling from the Canada Revenue Agency that accepted this gift as a "Gift to the Crown".

The Council maintains a separate account for the capital contributions and all investment income earned.

5. Restricted Investment *(continued)*

The balance of the Fund at March 31 is as follows:

		2014 (000's)		Change (000's)		2013 (000's)
Capital contributions	$	504	$	-	$	504
Investment earnings		536		107		429
Technology grants, fund expenses		(236)		-		(236)
Total	$	804	$	107	$	697

The capital contributions are invested in a Canadian balanced mutual fund. The balanced mutual fund has no fixed interest rate, and the return is based on the performance of the mutual fund. Additional units in the mutual fund are acquired when distributions are made by the mutual fund investments. Cash dividends are not paid by the fund; however, investors can realize changes in the underlying unit values by redeeming units. The investment earnings include the actual earnings of the investment and the year-over-year change in the market value of the assets.

Saskatchewan Research Council

Notes to the Consolidated Financial Statements

For the year ended March 31, 2014

6. Property, Plant and Equipment

(000's)	Building	Leaseholds	Computers	Equipment	Automotive	SLOWPOKE	Construction in Progress	Total
Cost								
Balance, March 31, 2012	$ 675	$ 14,965	$ 2,804	$ 41,027	$ 532	$ 4,289	$ 2,964	$ **67,256**
Additions	-	3,018	559	2,305	2	243	921	**7,048**
Disposals/transfers	-	-	(881)	(317)	(44)	-	-	**(1,242)**
Balance, March 31, 2013	675	17,983	2,482	43,015	490	4,532	3,885	**73,062**
Additions	-	561	584	4,478	-	-	-	**5,623**
Disposals/transfers	-	(789)	(226)	(4,210)	(22)	(332)	(2,419)	**(7,998)**
Balance, March 31, 2014	**675**	17,755	**2,840**	43,283	**468**	4,200	**1,466**	**70,687**
Accumulated Depreciation								
Balance, March 31, 2012	608	8,625	1,856	24,172	393	997	-	**36,651**
Current year depreciation	4	1,160	397	3,055	46	132	-	**4,794**
Disposals	-	-	(877)	(243)	(43)	-	-	**(1,163)**
Balance, March 31, 2013	612	9,785	1,376	26,984	396	1,129	-	**40,282**
Current year depreciation	4	1,373	454	3,362	35	284	-	**5,512**
Disposals	-	(174)	(122)	(3,170)	(22)	-	-	**(3,488)**
Balance, March 31, 2014	**616**	10,984	**1,708**	27,176	**409**	1,413	-	**42,306**
Net Book Value								
March 31, 2014	**$ 59**	$ 6,771	**$ 1,132**	$ 16,107	**$ 59**	$ 2,787	**$ 1,466**	**$ 28,381**
March 31, 2013	**$ 63**	$ 8,198	**$ 1,106**	$ 16,031	**$ 94**	$ 3,403	**$ 3,885**	**$ 32,780**

6. Property, Plant and Equipment *(continued)*

Included in the net book value of equipment is $nil (2013 - $160,000) of assets that were not depreciated in the last two fiscal years as they are held for sale.

7. Line of Credit

The Council was authorized by the Minister of Finance to establish a line of credit not to exceed $5,100,000. There is an assignment of the accounts receivable as collateral for bank indebtedness. Interest is charged on the line of credit at ScotiaBank prime rate.

As at March 31, 2014, the Council was not utilizing this line of credit.

8. Deferred Revenue

The Council received funding for certain property, plant and equipment (PP&E), which it records as deferred revenue until such time as the related assets are put in use and depreciated. Revenue is recognized based on the depreciation of the related assets.

a) Fermentation Facility Upgrade

The Fermentation Facility Upgrade was funded under the Western Economic Partnership Agreement by the Saskatchewan Ministry of the Economy (formerly Energy and Resources) and Western Economic Diversification Canada. All purchases were fully funded.

b) Capital Enhancements

The Council received specific funding from the Province to replace aging equipment and acquire enhanced equipment. All purchases were fully funded.

c) Wheat DNA Project

The Council received funding towards the total cost of PP&E from the Western Economic Partnership Agreement by Enterprise Saskatchewan and Western Economic Diversification Canada. Funding was also received from Agriculture and Agri-Food Canada.

d) Microanalysis Centre

The Council received funding towards the total cost of PP&E from the Western Economic Partnership Agreement by Enterprise Saskatchewan and Western Economic Diversification Canada to acquire equipment and develop space for the Microanalysis Centre.

e) Pipe Flow Expansion

The Council received funding towards the total cost of PP&E from the Western Economic Partnership Agreement by Enterprise Saskatchewan and Western Economic Diversification Canada to acquire equipment and develop space for the Pipe Flow Expansion.

Saskatchewan Research Council

Notes to the Consolidated Financial Statements

For the year ended March 31, 2014

8. Deferred Revenue *(continued)*

f) Mineral Processing Pilot Plant

The Council received funding towards the total cost of PP&E from the Western Economic Partnership Agreement by Enterprise Saskatchewan and Western Economic Diversification Canada to acquire equipment and develop space for the Mineral Processing Pilot Plant.

Deferred revenue consists of:

	March 31, 2014 (000's)	March 31, 2013 (000's)
Current Portion		
Fermentation Facility Upgrade	$ 11	$ 30
Capital Enhancements	299	299
Wheat DNA Project	131	153
Microanalysis Centre	265	265
Pipe Flow Expansion	159	144
Mineral Processing Pilot Plant	127	127
	992	1,018
Long Term Portion		
Fermentation Facility Upgrade	-	11
Capital Enhancements	394	834
Wheat DNA Project	659	946
Microanalysis Centre	1,481	1,746
Pipe Flow Expansion	1,304	1,451
Mineral Processing Pilot Plant	1,138	692
	4,976	5,680
Total Deferred Revenue	$ 5,968	$ 6,698

8. Deferred Revenue *(continued)*

During the year, the Council recognized the following amounts as revenue and expenses based on the depreciation of the related property, plant and equipment.

		March 31, 2014 (000's)		March 31, 2013 (000's)
Fermentation Facility Upgrade	$	30	$	30
Capital Enhancements		300		303
Wheat DNA Project		196		153
Microanalysis Centre		265		265
Pipe Flow Expansion		131		14
Mineral Processing Pilot Plant		127		-
Total Capital Grants	$	1,049	$	765

9. Trust Investment and Decommissioning Provision (Provision)

The Canadian Nuclear Safety Commission's (CNSC) licensing conditions require that SLOWPOKE reactor owners have in place a decommissioning plan and a financial plan to cover the associated costs.

The fair value of legal obligations to retire the SLOWPOKE reactor is recorded as a provision with a corresponding increase in the carrying amount of the related assets. The recorded provision increases over time through interest expense charges. The interest expense is calculated using an interest rate that equates to a rate adjusted for current market assessments of the time value of money and the risks specific to the provision and is included in property, plant and equipment depreciation.

The determination of the provision is based on the current estimated costs of decommissioning. The eventual decommissioning is estimated to occur in 2025 and require eighteen months to complete. The total undiscounted provision for the planned decommissioning at 2025 is $8,713,000 (2013 - $8,713,000) calculated by utilizing current information regarding decommissioning costs, a 20% contingency and an inflationary factor of 3% (2013 - 3%). The provision at year-end is $6,417,000 (2013 - $6,593,000). The Council decreased the provision by $332,000 (2013 - $242,000 increase) and recognized interest expense of $155,000 (2013 - $165,000) during the year. The discount rate adjusted for current market assessments of the time value of money and the risks specific to the provision was reassessed to 2.82% (2013 - 2.35%).

The Council conducted a sensitivity analysis and determined that a 1% decrease in the discount rate would increase the provision by $728,000 (2013 - $824,000) and decrease the recognized interest expense by $51,000 (2013 - $55,000). A 1% increase in the discount rate would decrease the provision by $648,000 (2013 - $726,000) and increase the recognized interest expense by $39,000 (2013 - $42,000). A five-year reduction in the estimated decommissioning date would result in an increase of the provision by $957,000 (2013 - $812,000) and an increase in the current year interest expense by $27,000 (2013 - $19,000).

9. Trust Investment and Decommissioning Provision (Provision) *(continued)*

At March 31, 2014, the Council has invested $3,508,000 (2013 - $2,080,000) in a legal trust for the purpose of settling the provision. This trust agreement is a condition of the operating license issued to the Council by CNSC. The terms of the trust agreement require the trust be invested in GICs and require the Council to contribute to the trust account each year. An initial investment of $500,000 was made in 2004. Investments of $260,000 were made in fiscal years 2006 to 2010. The trust agreement expired in 2010 and as such no contributions were made in 2011 or 2012. The Council completed a new trust agreement during the prior year and provided contributions for fiscal years 2011, 2012 and 2013 totaling $1,033,000. The funds cannot be used for any purpose without prior approval of CNSC. The Council will work with CNSC to ensure that the new trust adequately reflects the requirements of the plan.

10. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Council by virtue of common control or significant influence by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms:

During the year, the Council paid $7,309,000 (2013 - $7,165,000) to the Ministry of Government Services and Saskatchewan Opportunities Corporation (SOCO) for accommodation charges on buildings.

At year-end, the Council has lease commitments with SOCO requiring minimum lease payments of:

2015	$5,966,000
2016	930,000
2017	35,000
2018	-
2019	-
Greater than 5 years	-

In 2014, the Council purchased supplies and services for $704,000 (2013 - $1,238,000) from related parties.

During the year, the Council recognized fee-for-service contract revenue of $8,099,000 (2013 - $17,018,000) with related parties.

The Council received $19,743,000 (2013 - $18,983,000) in funding from the General Revenue Fund.

As at March 31, the Council had $328,000 (2013 - $845,000) in related party accounts receivable.

10. Related Party Transactions *(continued)*

The Council has $3,723,000 (2013 - $4,334,000) of deferred revenue from related parties as at March 31, 2014. Of the $3,723,000, $6,000 (2013 - $21,000) is related to the Fermentation Facility Upgrade funding, $678,000 (2013 - $1,132,000) is related to the Capital Enhancements funding, $393,000 (2013 - $648,000) is related to the Wheat DNA Project funding, $873,000 (2013 - $1,006,000) is related to the Microanalysis Centre funding, $1,026,000 (2013 - $1,118,000) is related to the Pipe Flow Expansion funding and $747,000 (2013 - $409,000) is related to the Mineral Processing Pilot Plant funding.

The Council has $1,785,000 (2013 - $1,732,000) of unearned revenue from related parties, concerning fee-for-service contracts, as at March 31, 2014.

During the year, the Council provided general administrative services to the Saskatchewan Research Council Employees' Pension Plan without charge.

Key management personnel includes the President and Vice-Presidents of the Council. The compensation paid to key management for employee services is shown below:

	March 31, 2014 (000's)	March 31, 2013 (000's)
Salaries and benefits	$ 2,526	$ 2,296

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

11. Financial Instruments

The Council's significant financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, unearned revenue, salaries, wages and vacation payable, sick leave benefits payable, and the trust and restricted investments.

Credit Risk:

Credit risk is the risk of an unexpected loss by the Council if a customer or third-party to a financial instrument fails to meet its contractual obligations.

The Council's credit risk is limited to its accounts receivable and cash and cash equivalent balances.

Until the Council's surplus cash is required to fund operations, it is invested in a variety of highly rated, risk-free instruments such as GICs.

The majority of the Council's receivables are from related parties, other government agencies and reputable, longstanding corporate clients. The Council also manages this risk by monitoring the credit worthiness of its customers and seeking pre-payment or other forms of payment security from customers with an unacceptable level of credit risk.

Saskatchewan Research Council

Notes to the Consolidated Financial Statements

For the year ended March 31, 2014

11. Financial Instruments *(continued)*

At March 31, 2014, the Council had an allowance for doubtful accounts of $342,000 (2013 - $252,000).

The following reflects an aging summary of the Council's accounts receivable:

		March 31, 2014 (000's)		March 31, 2013 (000's)
Current	$	5,495	$	6,093
31 - 60 days		621		555
61- 90 days		236		206
Over 90 days		1,022		342
		7,374		7,196
Allowance		(342)		(252)
	$	7,032	$	6,944

Liquidity Risk:

Liquidity risk is the risk that the Council is unable to meet its financial obligations as they fall due. The Council ensures that there is sufficient capital in order to meet short-term business requirements, after taking into consideration cash flows from operations and the Council's holdings of cash and cash equivalents and the availability of the line of credit. The Council believes that these sources will be sufficient to cover short-term and long-term cash requirements.

The following table summarizes the contractual maturity of the Council's financial liabilities at March 31.

		(000's)		(000's)		(000's)
March 31, 2014		Carrying Amount		<0-6 months		<7-12 months
Accounts payable	$	2,784	$	2,784	$	-
Salaries, wages and vacation payable		2,535		2,371		164
	$	5,319	$	5,155	$	164
March 31, 2013		Carrying Amount		<0-6 months		<7-12 months
Accounts payable	$	4,375	$	4,375	$	-
Salaries, wages and vacation payable		2,218		1,990		228
	$	6,593	$	6,365	$	228

Interest Rate Risk:

The Council's exposure to floating interest rate risk is generally limited to certain cash and cash equivalents and the Trust Investment. The Council's cash and cash equivalents include highly liquid redeemable investments with a term of one year or less that earn interest at market rates. The Council manages its interest rate risk on these

11. Financial Instruments *(continued)*

investments by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis.

A 1% increase in the interest rate of the Trust Investment would result in a $35,000 increase in interest revenue. A 1% decrease in the interest rate of the Trust Investment would result in a $35,000 decrease in interest revenue.

Equity Price Risk:

Equity price risk is the risk that the value of an equity will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issue or all other factors affecting all instruments traded in the market.

The Council manages the equity price risk of the Restricted Investment through investing in a Canadian balanced mutual fund.

A 10% increase in the market value of the Restricted Investment would result in a $80,000 increase in the return from the Restricted Investment. A 10% decrease in the market value of the Restricted Investment would result in a $80,000 decrease in the return from the Restricted Investment.

Fair Values:

The fair values of the cash and cash equivalents, accounts receivable, accounts payable, unearned revenue, salaries, wages and vacation payable, and sick leave benefits payable approximate their carrying value due to the short-term nature of these instruments. The fair value of the Restricted Investment is considered to be market value, the calculation of which is detailed in Note 3(g). Due to the short-term nature of the type of investment held in the Trust Investment, the cost plus accrued interest is considered to be equal to market value.

Saskatchewan Research Council

Notes to the Consolidated Financial Statements

For the year ended March 31, 2014

11. Financial Instruments *(continued)*

The following table summarizes the classification, measurement category, carrying amount, and fair value of the Council's financial instruments.

			March 31, 2014 (000's)		March 31, 2013 (000's)	
	Class [1]	Level [1]	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets						
Cash and cash equivalents	FVTPL	1	$ 3,208	$ 3,208	$ 6,356	$ 6,356
Accounts receivable	L&R	N/A	7,032	7,032	6,944	6,944
Restricted investment	FVTPL	1	804	804	697	697
Trust investment	FVTPL	1	3,508	3,508	2,080	2,080
Financial Liabilities						
Accounts payable	OFL	N/A	2,784	2,784	4,375	4,375
Unearned revenue	OFL	N/A	2,790	2,790	3,618	3,618
Salaries, wages and vacation payable	OFL	N/A	2,535	2,535	2,218	2,218
Sick leave benefits payable	OFL	N/A	136	136	177	177

[1] Classification and Level
FVTPL – Fair value through profit and loss
L&R – Loans and receivables
OFL – Other financial liabilities

Investments measured at fair value are categorized into a hierarchy level, which is described below. This level is based on the transparency of the inputs used to measure the fair values of assets and liabilities.

Level 1 – Quoted prices in active markets for identical assets.

12. Commitments

At year-end, the Council has lease commitments with non-related parties requiring minimum lease payments of:

2015	548,000
2016	374,000
2017	249,000
2018	249,000
2019	205,000
Greater than 5 years	72,000

13. Capital Disclosures

The Council manages capital through assessment of current and future goals, and the capital requirement of these goals. The Council's objective when managing capital is to ensure adequate capital is available to support operations and future strategies of the Council.

The Council's management considers its capital structure to consist of contributed surplus and unappropriated retained earnings.

The usage of this capital is restricted in accordance with *The Financial Administration Act, 1993.*

The Council is not subject to prescribed capital requirements.

14. Funds Held in Trust

At March 31, 2014, the Council holds $1,046,000 (2013 - $1,141,000) for the Ministries of Environment and Parks, Culture & Sport. These funds are held in trust for the purpose of forest land management carried out by the Council. This amount is not reflected in these financial statements.

15. Comparative Figures

Certain 2013 financial statement balances have been reclassified to conform with the presentation of the 2014 figures.

16. Remediation Projects

The Council has been contracted by the Ministry of the Economy to manage the remediation of several northern abandoned mine sites. The project's life-to-date income, expenses and profit is as follows:

	March 31, 2014 (000's)	March 31, 2013 (000's)
Contract revenue	$ 61,625	$ 56,710
Expenses	61,367	56,020
Profit	$ 258	$ 690

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